

Message Text

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43

ACTION EB-11

INFO OCT-01 EUR-25 IO-14 ISO-00 OMB-01 TAR-02 SP-03 SWF-02

AGR-20 AID-20 CIAE-00 COME-00 INR-10 LAB-06 NSAE-00

OIC-04 RSC-01 SIL-01 STR-08 TRSE-00 CIEP-02 CEA-02

AF-10 ARA-16 EA-11 NEA-14 DRC-01 /185 W

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R 281440Z MAY 74

FM USMISSION GENEVA

TO SECSTATE WASHDC 6053

INFO USMISSION USUN

USMISSION OECD PARIS

UNCLAS SECTION 1 OF 2 GENEVA 3333

E.O. 11652: N/A

TAGS: ETRN, UNCTAD

SUBJECT: UNCTAD: CONSTRUCTIVE TONE SET AT PREFERENCES MEETING

BEGIN SUMMARY: DEBATE AT SIXTH SESSION OF UNCTAD SPECIAL COMMITTEE ON PREFERENCES SUBSTANTIALLY IMPROVED IN TONE OVER LAST YEAR. THERE WAS GENERAL RECOGNITION BY DEVELOPING COUNTRIES THAT PROGRESS HAD INDEED BEEN MADE IN PAST 12 MONTHS AND FEELING THAT PERHAPS POLITICALLY MOTIVATED POLEMICAL ATTACKS ON GSP NOT BEST WAY TO TRY TO OVERCOME THE MANY WEAKNESSES IN VARIOUS SYSTEMS. THERE CONTINUED TO BE KEEN INTEREST IN US GSP SYSTEM AND CALLS FOR ITS URGENT IMPLEMENTATION BUT OUTRIGHT CRITICISM WAS RESTRAINED. WHILE GIVING APPROPRIATE CREDIT TO DONORS, LDCS OUTLINED IN SOME DETAIL NEED FOR IMPROVEMENT IN ALL OTHER SYSTEMS. GROUP OF 77 DRAFTING RESOLUTIONS ON IMPLEMENTATION OF GSP BY US, IMPROVEMENTS IN EXISTING SCHEMES AND MTN. SOME ASIANS WANT RESOLUTION ON SPECIAL MEASURES FOR LDCS MOST SERIOUSLY AFFECTED BY ENERGY CRISIS BUT NOT CLEAR WHETHER GROUP OF 77 WILL BE ABLE AGREE ON TEXT.
END SUMMARY

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1. THERE WAS KEEN INTEREST AT SIXTH SESSION OF SPECIAL

COMMITTEE ON PREFERENCES IN US SYSTEM OF PREFERENCES AND CALLS FOR URGENT IMPLEMENTATION. LDCS PLEASED TO HEAR PROGRESS MADE IN LEGISLATIVE CONSIDERATION BUT NOTED THAT DELAY IN US IMPLEMENTATION LIMITS SCOPE OF GSP AND INHIBITS IMPROVEMENT OTHER DONOR COUNTRY SCHEMES. SPECIFIC LDC COMMENTS ON US SCHEME CONCENTRATED ON FOLLOWING ASPECTS:

A) RESTRICTIVENESS. BENEFITS WOULD BE RESTRICTED BY AUTOMATIC APPLICATION OF COMPETITIVE NEED FORMULA AND EROSION OVER TIME BY INFLATION.

B) EXCLUSIONS. SYSTEM EXCLUDED IMPORTANT PRODUCTS, NOTABLY TEXTILES, IMPORTS OF WHICH ALREADY CONTROLLED BY MULTI-FIBER AGREEMENT.

C) ASSOCIATIONS. SYSTEM SHOULD TREAT MEMBERS OF ASSOCIATION OF COUNTRIES INDIVIDUALLY FOR COMPETITIVE NEED PURPOSES WHEN ASSOCIATION IS TREATED AS ONE FOR ORIGIN PURPOSES.

D) CONSULTATIONS. UNLIKE CANADA, SYSTEM DOES NOT PROVIDE FOR PRIOR CONSULTATION BEFORE SAFEGUARD ACTION IS TAKEN.

E) EXCESSIVE DISCRETION. SEVERAL DELS (NOTABLY LATINS) SAID SYSTEM GAVE TOO MUCH DISCRETION TO ADMINISTRATION ESPECIALLY ON DETERMINING BENEFICIARIES (E.G. NATIONALIZATION) AND WITHDRAWING PREFERENCES. THERE WAS LITTLE SAID ABOUT US REQUIREMENT OF PRIOR COMMITMENT TO ELIMINATE REVERSE PREFERENCES BEFORE BENEFICIARY STATUS COULD BE GRANTED.

2. TWO COUNTRIES MOST CRITICAL OF US SCHEME WERE ARGENTINA AND, SOMEWHAT SURPRISINGLY, PHILIPPINES. RELATIVELY MILD CUBAN STATEMENT MADE NO MENTION OF US. ARGENTINA NOTED THAT RESTRICTIONS IN US SYSTEM MAKE IT APPEAR TO BE ONE OF MOST RESTRICTIVE SYSTEMS. DEL SAID TARIFF COMMISSION PROCEDURE "CUMBERSOME" AND RULES OF ORIGIN "COMPLEX". PHILIPPINE STATEMENT CONCENTRATED ON EVILS OF COMPETITIVE NEED FORMULA, NOTING THAT MOST KEY PHILIPPINE PRODUCTS WOULD BE AFFECTED. SAID PHILIPPINE POSITION IN US MARKET WILL BE WORSE BECAUSE PHILIPPINES WILL LOSE PREFERENCES UNDER LAUREL-LANGLEY AGREEMENT AND NOT GET BENEFITS UNDER GSP. PHILIPPINES REQUESTED TREATMENT NO LESS FAVORABLE THAN OTHER LDCS AND EX-UNCLASSIFIED

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PRESSED HOPE THAT US TAKE NOTE OF ITS "LEGITIMATE" GRIEVANCES.

3. STATEMENT BY US DEL DESIGNED GIVE STATUS REPORT ON LEGISLATION AND NEUTRALIZE CRITICISMS OF US SYSTEM IN SECRETARIAT DOCUMENT (TD/B/C.5/20). WE SAID SECRETARIAT ANALYSIS BASED ON 1970 SUBMISSION TO UNCTAD WHICH NOT NECESSARILY STILL VALID, DID NOT TAKE INTO ACCOUNT PRODUCTS

FOR WHICH DUTIES HAVE BEEN SUSPENDED OR ELIMINATED
SINCE 1970 AND WAS STATIC. AS TO CONCLUSIONS, US DEL
TOOK ISSUE WITH PRINCIPAL SECRETARIAT CONCLUSION THAT
IN PRACTICE APPLICATION OF US GSP WOULD GENERATE EFFECTS
THAT SEEM CONTRARY TO RATIONALE AND OBJECTIVES UNDERLYING
COMPETITIVE NEED FORMULA. STATEMENTS OF MOST DONOR COUNTRIES
WERE USED TO DEMONSTRATE THAT MOST OF BENEFITS OF
EXISTING GSP SCHEMES INDEED ACCRUING TO HANDFUL OF MORE
ADVANCED LDCS, ONE OF MAJOR CONSIDERATIONS WHICH GAVE RISE
TO COMPETITIVE NEED FORMULA. US STATEMENT CONCLUDED BY
NOTING THAT IMPROVEMENT POSSIBLE AFTER WE HAVE HAD SOME
EXPERIENCE WITH GSP IN OPERATION AND REAFFIRMING US
ADMINISTRATION COMMITMENT TO GSP LEGISLATION.

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FM USMISSION GENEVA

TO SECSTATE WASHDC 6054

INFO USMISSION USUN

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4 US STATEMENT PLANTED SEEDS OF DOUBT IN MINDS OF
SOME LDC DELEGATIONS ABOUT VALIDITY OF SECRETARIAT
STUDY. SRI LANKA SAID DEL NON-PLUSSED BY DIVERGENCE
BETWEEN SECRETARIAT STUDY AND US STATEMENT. PAKISTAN
SAID THAT MAIN ELEMENTS OF US SCHEME ARE WELL-CONCEIVED
AND PROVIDE ADEQUATE FRAMEWORK FOR EXPANSION OF TRADE
BENEFITS TO LDCS. HE WELCOMED FACT THAT ALL PREFERENTIAL
TREATMENT WILL BE DUTY-FREE TREATMENT AND EXPRESSED
UNDERSTANDING AND APPRECIATION FOR THE SPIRIT AND INTENTION

BEHIND THE COMPETITIVE NEED FORMULA, WHILE EXPRESSING WISH THAT LIMITATIONS COULD BE MADE MORE REALISTIC AND MORE FLEXIBLE. SECRETARIAT DEVOTED MOST OF CLOSING STATEMENT TO DEFENSE OF SECRETARIAT ANALYSIS AND CONCLUSIONS ON US GSP SYSTEM.

5. WITH RESPECT TO IMPROVEMENTS IN EXISTING SCHEMES, EC STATEMENT WENT OVER SAME GROUND AS STATEMENT TO OECD GROUP ON PREFERENCES IN FEBRUARY (OECD 3652). STATEMENT STRESSED VARIOUS 1974 IMPROVEMENTS: A) UPDATING OF REFERENCE YEAR FOR CALCULATION OF BASIC QUOTA FROM 1968 TO 1971, B) INCLUSION OF ADDITIONAL AGRICULTURAL PRODUCTS, AND C) SHORTENING OF LIST OF SENSITIVE ITEMS SUBJECT TO UNCLASSIFIED

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MORE RESTRICTIVE CONTROL. STATEMENT ALSO NOTED THAT IMPROVEMENTS INTRODUCED DESPITE CURRENT ECONOMIC UNCERTAINTIES AND DESPITE FACT THAT EC ALREADY BEARING DISPROPORTIONATE BURDEN. MANY LDCS EXPRESSED APPRECIATION FOR IMPROVEMENTS BUT ALSO CANDID IN CITING COMPLEX AND BURDENSOME SYSTEM OF TARIFF QUOTAS AND EXCLUSION OF MOST AGRICULTURAL AND ALL PRIMARY INDUSTRIAL PRODUCTS. SEVERAL LDC SPOKESMEN ASSERTED THAT IMPROVEMENTS DID NOT COMPENSATE FOR EROSION EFFECT OF EC ENLARGEMENTS AND EC-EFTA FREE TRADE AGREEMENTS ON GSP AND FACT THAT RELATIVELY LIBERAL UK, IRISH AND DANISH SYSTEMS HAVE NOW BEEN REPLACED BY MORE RESTRICTIVE EC SCHEME. NOTABLE EXCEPTION TO CRITICAL COMMENTS WAS ASEAN GROUP WHICH COLLECTIVELY AND INDIVIDUALLY PRAISED EC FOR ITS STRENGTHENING OF CONTACTS WITH ASEAN NATIONS AND EC'S INFORMATION ACTIVITIES WITH RESPECT TO GSP.

6. EC SEEMED OVERSENSITIVE ABOUT CRITICAL REMARKS AND TOOK FLOOR TO DEFEND ITS POLICIES IN EXTREMELY LENGTHY AND SOMEWHAT DISINGENUOUS INTERVENTION. COMMISSION SPOKESMAN (TRAN) MADE INVIDIOUS COMPARISON BETWEEN RELATIVELY MILD STATEMENTS ABOUT COUNTRIES WHICH HAVE NOT IMPLEMENTED GSP (NAMING US AND CANADA) AND THOSE LIKE EC THAT HAVE BEEN GIVING BENEFITS SINCE 1971. TRAN URGED LDCS A) TO LOOK AT WHAT HAS ALREADY BEEN DONE INSTEAD OF CONCENTRATING SOLELY ON WHAT REMAINS TO BE DONE, B) TO REVIEW CUMULATIVE EFFECTS OF EC SYSTEM SINCE 1971 AND C) TO REALIZE THAT EC SYSTEM IS NOT PANACEA FOR ALL TRADE POLICY PROBLEMS BUT RATHER A GESTURE OF COOPERATION WITH LDCS.

7. JAPAN BORE BRUNT OF LDC CRITICISMS. JAPAN INTRODUCED SEVERAL MINOR IMPROVEMENTS, MOST NOTABLE OF WHICH WAS THAT TARIFF QUOTAS FOR 116 OF 182 PRODUCT GROUPS WILL

BE ADMINISTERED FLEXIBLY (THAT IS MFN RATES WILL NOT BE RESTORED UNLESS DOMESTIC INDUSTRY COMPLAINS). ALTHOUGH JAPANESE DEL TRIED HARD SELL IMPROVEMENTS AS MAJOR CHANGES, MANY LDCS CAME DOWN HARD ON JAPAN FOR CONTINUING TO USE 1968 AS A BASE YEAR FOR CALCULATION OF BASIC TARIFF QUOTA. SOME LDCS ALSO EXPRESSED SKEPTICISM IN UNCLASSIFIED

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TRADE FIGURES PRESENTED BY JAPANESE WHICH SHOWED RAPID INCREASE IN PREFERENTIAL IMPORTS, SUGGESTING THAT INCREASE WAS ALMOST WHOLLY A PRICE PHENOMENON. IN REBUTTAL JAPANESE DELEGATION STRESSED TARIFF QUOTA FLEXIBILITY AND NOTED THAT USE OF 1968 AS BASE YEAR WOULD BE STUDIED.

8. CANADA APPEARED TO GET SOMEWHAT LESS CREDIT FOR INTRODUCING SCHEME THAN CANADIAN DEL EXPECTED. CANADA INTRODUCED ITS SCHEME, NOTING THAT DECISION MADE TO IMPLEMENT DESPITE CONCERNS OF TRADE DIVERSION IF CANADA IMPLEMENTED BEFORE US. CANADIAN OFFICIALS WILL HOLD SPECIAL INFORMAL SESSION MAY 28 TO BRIEF INTERESTED DELEGATIONS ON DETAILS OF CANADIAN SCHEME. CANADA'S MOMENT OF GLORY WAS BRIEF AS NUMBER OF LDCS CRITICIZED SCHEME, IN PARTICULAR, EXCLUSION OF TEXTILES AND FOOTWEAR, LIMITED AGRICULTURAL COVERAGE, AND SMALL TARIFF CUTS ON PRODUCTS NOT ENJOYING COMMONWEALTH PREFERENCES. TWO FEATURES OF CANADIAN SCHEME WERE PRAISED--ABSENCE OF QUANTITATIVE CEILINGS AND UNDERTAKING TO CONSULT BEFORE EMPLOYING SAFEGUARD CLAUSE.

9. COMMENTS ON OTHER SCHEMES FOLLOWED PREDICTABLE LINES. OF NOTE WAS NORWAY'S STATEMENT THAT IT IS CONSIDERING ADMITTING DUTY-FREE IMPORTS OF ALL PRODUCTS IN BTN 1-24 FROM LEAST DEVELOPED COUNTRIES WITHOUT QUANTITATIVE CEILINGS.DALE

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